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Service sector in terms of changing environment

## **INTERNET BUSINESS MODELS FOR E-INSURANCE AND CONDITIONS IN REPUBLIC OF MACEDONIA**

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### **Abstract**

Insurance companies management is facing challenges of modern information and communication technologies, and in that direction appropriate internet business models are required for implementation of their activities into new electronic market environment.

To straighten consumers' confidence, the electronic distribution of these products means simplifying the products. This method of distribution makes the products more transparent, and that will lead to reduction of the unnecessary costs. Financial advices will be more available to consumers for buying certain product which does not preclude the need for agents, but still, internet can have a major role in consumers' searches, choices and transactions.

Transfer to e-insurance will lead to market expansion and will straighten competition between insurance companies.

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## 1. INTRODUCTION

There are several internet business models that refer to electronic commerce:

1. **Business to business (B2B).** Electronic commerce model where all participants are from business sector or other organizations.
2. **Business to consumer (B2C).** Electronic commerce model where business sell to individual consumers.
3. **Business to business to consumer (B2B2C).** Electronic commerce model where business supplies certain product or services to a client-business, which on the other hand has its own clients.
4. **Consumer to business (C2B).** Electronic commerce model where individuals use Internet to sell certain products or services to organizations or businesses.
5. **Consumer to consumer (C2C).** Electronic commerce model where consumers directly sells to other consumers.
6. **Mobile commerce (m-commerce).** Activities and transactions of electronic commerce provided in wireless surrounding.
7. **Exchange to exchange (E2E).** Formal systems that links two or more exchanges.
8. **Business to employees (B2E).** Electronic commerce model where an organization delivers products, services or information to their individual employees.
9. **Business to government (B2G).** Electronic commerce model where we have government procurement, electronically payment of customs duties and taxes by the companies.
10. **Government to consumer (G2C).** Electronic commerce model where public services are directed to consumers (business community, NGO, citizens) in electronic way.

The model or models in which insurance company activities are found can be applied with appropriate software solutions.

Insurance companies have many IT solutions available for offering their products:

**Web page:** Almost every insurance company has a web page to present information about the company and the products they offer. This page is in fact marketing support to a company and is equal to a online brochure. There is no interaction between clients and company on this level and the insurance company still depend on physical channels of distribution.

This strategy only straightens traditional way of distribution of insurance policies.

**Web portal:** Portals are pages that have collection of links that lead to a different information that are in an interest of the portal visitor. This level still has no interaction with clients. Some insurance companies have a platform that provides communication with potential clients through email, but they do not provide online application and insurance buying.

**Point of sale portal:** Unlike the conventional way where a buyer access sellers' web site to order a product, in this category, seller initiates the sale. These are web sites that in fact offer insurance services when selling goods that are insurable. Example, car seller or real estate seller can offer insurance for those products.

**Intermediate brokers:** Broker sites are intermediate sites that in fact do not sell insurance services directly, but they assist potential insured in merging their desires and existing offer.

**Reverse auction:** In this model, the client is usually organization that requires group insurance. Potential buyer announces its demand and chooses the best offer from insurance companies.

**Aggregators:** Aggregators are sites that contain general information about insurance services. Examples of such sites are Ins web, Quotes Smith and E-Health Insurance. Aggregators are closest to the concept of e-insurance and are widely accepted by most insurance companies.

## 2. ARCHITECTURE OF E-INSURANCE SYSTEM

E-insurance covers promotion, recommendation, negotiation, order, application and insurance policy payment of damage on internet. At this point mostly of these processes are not automated. Some insurance companies do offer policies online but it is only a step forward from the passive catalogues of the alternatives that are available to consumers.

### 2.1. Selection and recommendation of policies

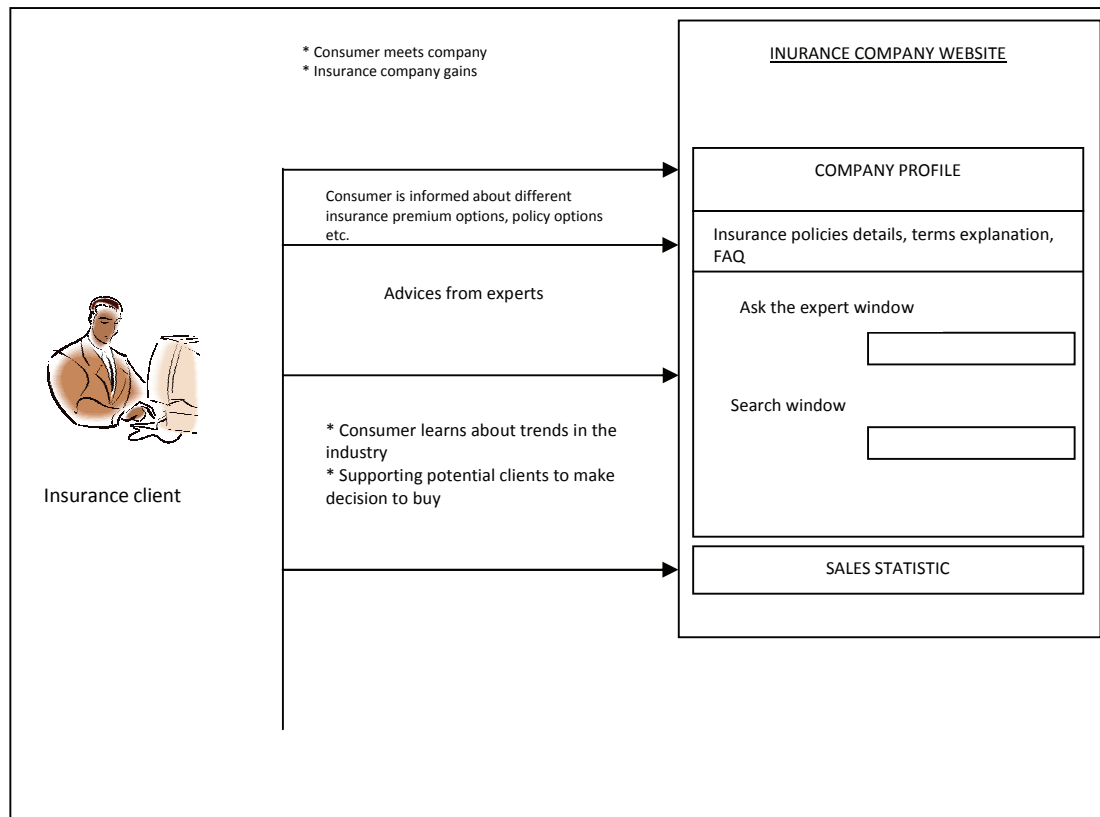


Fig 1. Interaction between online consumer and insurance company web site in a phase of selection and recommendation

Success in sales of insurance policies depends on how good will match requirements of potential buyers of insurance services and terms that are offered in insurance policy from the insurance company.[1]

Traditional management of insurance company means that consumers are informed about company's products with passive channels of promotion (newspaper, billboard, radio, television) or through active channels represented by insurance agents. That way, the buyer becomes aware of the service he needs and the agent links him with the most suitable insurance policy for him. The point is to ensure that existing policies of the insurance company can meet the demand of consumers. Using internet as a medium, e-insurance in fact integrates active and passive channels of promotion in even more effective combination.

Insurance company web site transparency, as it is shown on picture 1, contributes in creating a profile of the company with high credibility. A comprehensive presentation of policies and explanation of terms contribute to increased awareness about services that are available to potential consumers. Insurance agents and experts can be contacted by email to respond on to specific questions or to resolve eventual uncertainties. Finally, the client can fill in a questionnaire so he can get a proper policy according his request, recommended by insurance expert. That way, e-insurance as an approach is closer to consumers, penetrating to insurance market more efficient and better than a traditional way of insurance.

### 3. CONDITIONS OF E-INSURANCE IN REPUBLIC OF MACEDONIA

It is reasonable to expect that internet will become more attractive channel of distribution of insurance services in Republic of Macedonia as well. Insurance companies cannot afford to ignore many opportunities to change and improve their business allowed by internet. Different companies have a different ways to exploit this opportunities. Almost two decades ago, even the largest insurance companies didn't have web site. Today, almost every insurance company has a web site with their own content and functionality.

Table 1. Level of interaction between insurance companies in Republic of Macedonia and consumers of insurance services

<i>Company</i>	<i>Web site</i>	<i>Email</i>	<i>Sales</i>	<i>Aplication</i>
Qbe	√	√	×	×
Varadar	√	√	×	×
Sava Tabak	√	√	×	×
Euroins	√		×	
Winner-Vienna Insurance Group	√	√	×	√
Eurolink	√	×	×	×
Insig	√	×	×	×
Unika	√	√	×	×
Croatia Insurance	√	√	×	×
Osiguritelna Polisa	√	√	√	×
Grawe	√	√	×	×
Albsig	√	√	×	
Croatia Insurance Nonlife	√	√	×	√
Winner Life	×	×	×	×

Detailed analyze of web sites of insurance companies in Macedonia leads us to conclusions about current conditions in e-insurance in our country as for:

- Effects of the web sites designed as it is on the insurance business, and
- Implemented level of interactivity as one of the criteria for the e-insurance level of development.

There is only one insurance company in Macedonia without web site which is due to the fact that it is new on the market. Analyzing web sites of insurance companies that are part of Macedonian insurance market lead to a conclusion that those are generally in a function of marketing support of the business.

The majority of them are purely offering only information about the company and the services they offer. Only small part of insurance companies has applications on their web sites to support and increase the sale as calculators, quotas and so on. Most of the information presented on insurance companies' web sites have a promotional role and aim to introduce insurance business and services that companies offer to the consumers.

The level of interactivity a web site offers can attract or deflect visitors. Interactivity can be reached through implementation of email links, enabling online connection with company specialists or through archiving the experiences of actual consumers of the company's products and services. We can tell that the level of implemented interactivity between consumer and insurance company is not on a desired level. It can be noticed that there are insurance companies that do not offer email contact as one of the basic means of internet communication. Not to ignore existence of previously mentioned practices, however, in average, most of the Macedonian insurance companies offer possibility to the clients to contact them by email, and they have windows on their sites for specific questions addressed to appropriate sectors (departments) in insurance company.

Macedonian insurance companies generally rely on direct sale through physical distribution of insurance policies. Some of insurance companies (Croatia Insurance – Life) offer possibility of electronic scheduling of visit by insurance agents. Of course, this is only in function of supporting and increasing the sale through physical distributions and does not come word for internet distribution of the products.

Pioneering steps towards e-commerce are still short and in function to increase, support and promote traditional physical distribution of insurance products that is way more expensive type of distribution as it was previously mentioned in this paper.

Advanced level of e-commerce is implementing e-transaction that includes buying and selling products and services using internet, supported with money transfer. This level of interaction with consumers has accomplished or started to practice only one insurance company in Macedonia – Insurance policy (Osiguritelna polisa). In fact, only this insurance company offers online application for motor third party liability policy as well as for household insurance policy, and they are in a process of implementing of online application for travel and Casco insurance. This company offers possibility for online payment of the premium for online bought insurance policy. This level of transaction is real e-commerce, and potential benefits for both consumers and suppliers are huge if it is properly implemented. Insurance policy (Osiguritelna polica) does not have fully automated e-commerce at this point, because it involves in its broadest sense getting an e-certificate of an acquired policy. Policy or the product bought is still physically delivered. According relevant data received from actuaries of Insurance policy, this way of e-purchasing and payment even though is implemented only for a six months, shows high degree of attractiveness or usage by consumers. Moreover, it takes around 30% of total policies sale in the last year and as said before this online distribution is available only for a six months. This figure is as expected because it comes word for highly frequent insurance services that are adaptable for e-business as it was mentioned in the second part of this paper.

Certainly the full transition to this level of complete e-transaction carries certain risks other than benefits. When company decides to make a transfer to a transaction level of e-commerce, it must make a certain changes in organizational structure to accomplish appropriate level of support of the new trading way, also to provide certain autonomy in decision making and to deliver responsibilities to the managers who are charged with the operation; establishing new processes of marketing, sales, procurement and distribution; changing the technical infrastructure and new skills and human resources.

#### 4. CONCLUSION

In general, from the previous analyze we can conclude that insurance companies in Republic of Macedonia are on the level that allows one way successful communication between company and consumers by means of static or dynamic presentation of information with low level of interactivity expressed through email and windows for questions. Only one company offers online sale of two insurance products with absence of e-certificate to confirm the sales (Policy is distributed to insured in material form). Companies mainly use internet to publish different kind of information – annual and monthly reports, printed materials for departments for publicity and public relations, certain information about the products and services, promotional messages for the company, advertisement for other companies etc.

Besides the factors of relatively system nature (underdevelopment of e-banking, deficit of legal regulation in the field, barriers that comes out of the specific of the field and so on), also the views and level of awareness for the benefits from e-business of the participants in e-insurance as insurance companies and insured, have an impact on the current conditions in e-insurance. Answers from the conducted survey give us directions of the level of acceptance of this type of practice from the participants.

Generally, the managers are in thinking about accepting e-sales of the insurance policies, but certainly emphasizing the problems that will occur during actual implementation, and reducing the importance of the benefits from it. E-operations are accepted as a trend in business, seeing it as addition to physical distribution of the services. Insured consider that e-buying has certain advantages. The results highlight as limiting factor payment cards that are considered ineligible for internet payment, and mistrust for this kind of commerce.

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